THE SOUTH PORTAGE COMMERCIAL AREA: PROSPECTS AND PRIORITIES

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1.0 BACKGROUND

The Portage Place development is a three level retail, entertainment and office centre spanning several blocks in downtown Winnipeg. The project is large and exciting. It will almost certainly help downtown recover some of the retail business that has been lost to suburban centres.

The development will be connected via overhead walkways directly to the Hudson's Bay department store, and indirectly to Eaton's and Eaton Place, on the south side of Portage Avenue. This configuration creates a very strong relationship between Portage Place and the department stores.

The businesses along the south side of Portage Avenue and along Graham Avenue have traditionally enjoyed the advantage of being on the main pedestrian routes between Eaton's and the Bay. However, Portage Place, with its skywalks to the department stores, has raised questions about the impact on the South Side and about this area's future role and viability as a commercial area.

Some businesses and property owners are very concerned about the effects of Portage Place. The South Side Portage Association has taken the lead in representing South Side interests and has claimed that the South Side will deteriorate unless escalators are built at Vaughn and Carlton Streets, to link the overhead walkways directly with the South Side of Portage Avenue. The Association also asserts that the escalator system should be paid for by the North Portage Development Corporation.

The Corporation retained the Coriolis Consulting Corp., with Nemtin Consultants Limited, to evaluate the situation and recommend a strategy for the South Side. Because of the urgency of the situation, the consultants were given a three week time frame.

The consultants' terms of reference were to:

1. Evaluate the South Side's prospects as a commercial area and identify any major concerns about its viability.

2. Identify the full range of positive steps that should be taken to maximize the South Side's chances for continued viability as a retailing area and indicate the relative importance of improving the vertical connection between the overhead walkways and Portage Avenue.

3. Suggest priorities for action to help the South Side, with specific reference to whether escalators should be given high priority.

This report summarizes our findings and recommendations.

2.0 PORTAGE AVENUE: ASSESSMENT OF THE CURRENT SITUATION AND THE EFFECTS OF PORTAGE PLACE

Based on discussions with all the main participants, a review of available background information, and a site inspection, we have six main observations about the South Side and the effects of Portage Place.

1. Portage Place will probably significantly increase the total number of shoppers and volume of retail and entertainment activity downtown.

   It seems to be generally acknowledged in Winnipeg that downtown has been losing retail market share to suburban commercial centres. The North Side of Portage Avenue was deteriorating, some suburban centres were growing stronger, and there were some questions about downtown's viability as a shopping area.

   The Portage Place development will almost certainly help downtown regain some of its lost prominence. The total number of people coming to downtown for shopping or entertainment should increase and the total value of retail/entertainment expenditures should also increase.

   This strengthening of downtown creates an opportunity for downtown businesses south of Portage Avenue in the sense that there will be more potential customers in downtown.

   The issue on Portage Avenue is whether the South Side will be able to successfully tap this opportunity. The simple addition of more retail volume downtown does not automatically mean that the South Side will benefit. The South Side will only benefit from the opportunity created by Portage Place if shoppers want to visit the South Side, are encouraged to do so, and if they are able able to get there reasonably easily.

2. <u>The traditional downtown pedestrian system will be dramatically changed by Portage Place.</u>

The Portage Place development and its walkways will provide an entirely new alternative route between the traditional department store anchors. This new route will offer these features:

- retail stores and activities that will be much more attractive, on average, than are currently offered on the South Side.

- a large number of stores and an almost continuous retail frontage.

- a two-level system that creates the ability to walk a "loop" without using the South Side.

- a fully enclosed, stimulating environment that will allow shoppers to park and use Portage Place, the department stores, and Eaton Place without going outside.

- a novel combination of retail, restaurant, and entertainment uses with professionally programmed special activities and events.

- limited on-street retailing on the north side of Portage Avenue.

The design for Portage Place incorporates some features intended to create linkages to the South Side and to add life to Portage Avenue. The project does a better job of relating to the "other side of the street" than other comparable projects such as Eaton's Centre in Toronto or Pacific Centre in Vancouver.

However, in some ways the system as currently designed emphasizes the links between Portage Place and the two department stores, particularly on the second level.

While the total volume of activity in the area may increase, the South Side may not benefit because a high proportion of pedestrians will probably use the enclosed shopping and pedestrian route provided by Portage Place, particularly in winter. The proportion of downtown pedestrians using Portage Avenue or Graham Avenue to walk between the Bay and Eaton's will probably decline.

This effect could be minimized if there is a major improvement to the South Side's total attractiveness to shoppers.

3. A shift in pedestrian volumes would affect South Side businesses and properties to varying degrees.

Some South Side businesses probably have little dependence on passing pedestrian traffic. These include office businesses and specialized stores that are probably destinations, such as discount retailers, teachers' and art supplies, medical uniforms, and bridal wear. These businesses usually prefer secondary retail locations that are near prime retail areas but offer lower occupancy costs.

Other businesses probably depend heavily on passing pedestrian traffic, for various reasons. Some of the businesses by their very nature cater to passers by (e.g. a newstand). Others appear to be surviving only because they have loyal customers or because they are on a heavy-foot-traffic street. Their poorly maintained storefronts and outdated merchandising techniques suggest that these businesses would suffer if they had to compete directly with Portage Place for pedestrian traffic.

4. The South Side is not well prepared to compete with Portage Place for a share of the increased downtown market.

Portage Place will offer controlled climate, aggressive and modern retailers, variety, structured parking, professional promotion and marketing, special events, eating places, and newness. It is generally agreed that the development will help increase the total number of shoppers coming downtown.

The South Side of Portage, at present, offers tradition, fresh air, characterful buildings, and urban texture. On the negative side, it offers a limited number of retailers, a generally low standard of merchandising and storefronts, no marketing/promotion, no entertainment, few eating places, no weather protection, and an interrupted retail pattern.

The South Side must be prepared to either compete with Portage Place by upgrading and being on equal footing, or to complement Portage Place by offering an effective mix of uses that would not normally choose a mall environment (e.g. discount or specialized stores). However, the South Side does not appear to have a plan for consciously positioning itself as a retail area relative to Portage Place.

Without a business plan and a strong effort to manage the South Side and the individual businesses, some businesses on the South Side will probably suffer from the competition offered by Portage Place. However, even under a "worst case" scenario some businesses will experience little change, some will improve due to the likely increase in total downtown traffic, and some opportunities for new businesses will exist.

5. In the short term, there will probably be some vacancies and some discouraged business people.

Some stores are already vacant and some soon will be because of relocations into Portage Place. Most analysts agree that Winnipeg is "over-retailed" due to the recent expansion of Polo Park, the development of Portage Place and the proliferation of small suburban plazas. This condition could make it difficult to find quality retail tenants to fill vacant South Side space.

Vacancies and business reductions already caused by the construction phase of Portage Place and associated streetworks are contributing to an erosion of confidence on the part of retailers. This loss of confidence, coupled with a sense of frustration that has developed over the escalator issue, is a major concern.

6. <u>The South Side is at a critical point and it will almost certainly change.</u>

There are several realistic possible futures for the area:

- it could take on a different role, with more emphasis on entertainment, restaurants, specialty retail (e.g. discount clothes, stores, books/records, galleries, furniture) and services. Some existing retailers might not stay in their present locations, but the area could be a strong retail environment, complementing (not competing with) Portage Place.

- it could remain a mixed area, similar in some ways to its present form but better in quality. There could be more retailers and, on average, a better quality of retailers, although probably not too many of the type that would compete with stores in Portage Place.

- it could deteriorate, becoming like the north side was prior to development, because of an inability or failure to take advantage of the increased downtown trade generated by Portage Place.

Achieving the first two of these possible futures will require concerted positive action on the part of the property owners, businesses, and other groups such as the Corporation, the Downtown Winnipeg Association or the possible BIZ organization that may be created.

The status quo is not a realistic possibility. If there is not a conscious attempt to manage the South Side — defining a specific role for the area and then implementing a plan to achieve that role — the area will probably suffer from vacancies and a reduction of its role as a traditional retailing area.

3.0 SOUTH SIDE: PRIORITIES FOR ACTIONS

We were asked to look objectively at the South Side, assess its prospects and problems, and identify priorities for action. "Objective" in this sense means ignoring entrenched positions and not being influenced by the possible reactions of the participants.

The previous section contained our impartial assessment of the situation: in short, we believe there is a risk that the South Side could decline unless some significant positive action is taken.

This risk exists because the South Side has some serious problems, some of which are beyond the direct control of the businesses and property owners and some of which are within their control.

In our opinion, these problems are, in order of priority:

1. The businesses on the South Side have not prepared themselves to either compete with or complement Portage Place and they do not have enough drawing power to pull customers out of the Portage Place "system". There are not enough retailers. Some of the stores are physically unattractive and poorly merchandized*. There is no image or pattern that gives the area a character that is strong enough to exert a strong pull.

2. The South Side does not have a climate-controlled environment. This could be a plus in summer but will definitely be a negative in winter. On balance, some South Side businesses will suffer because they are not (at present) sufficiently interesting or attractive for people to put up with cold, wind, ice, rain, or dust if they have an alternative.

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* This is not to imply that South Side retailers should necessarily be more "upscale". The South Side may attract discount retailers, who do not use expensive merchandising techniques. However, low cost merchandising is not the same thing as poor or unplanned merchandising.

3. The South Side has no co-ordinated marketing or promotion program. There are few special events and no co-ordinated advertising. Signage and graphics are weak. In contrast, Portage Place will be promoted with a large budget and high skill.

4. The South Side is not well connected to the skywalk system, yet most pedestrians will travel between Portage Place and the department stores on the skywalks. While the design of Portage Place attempts to create an attractive presence at street level, in practice the project will offer very little active on-street retailing. It will be physically easy to cross the street but this will probably not be a major source of pedestrian flow to the South Side.

   The walkways will be major routes and the T-intersections will be important decision points for pedestrians. In the present plan, it will be easier for pedestrians to go directly into the department stores or Portage Place than to move down to the Street.

5. South Side streetscapes could be improved, although this is not a critical problem. Street maintenance (snow, ice and dust removal) is more important than any additional physical improvements.

6. The South Side is not as directly linked with covered parking as Portage Place, Eaton's, the Bay, or Eaton Place. This is a concern, but not as significant as the above problems.

A strategy for action could be developed based on this priorized list of problems. Still approaching the situation objectively, we would recommend that the following top priority actions should be considered:

1. Improve the existing stores by improving product lines, signs, merchandising and display, and storefronts. This does not necessarily mean making the stores more upscale. It does mean that the stores should consciously aim at specific target markets and develop appropriate business plans.

2. Develop a strong, attractive image for the South Side as a retailing district, character area, and business centre. This image could be one that competes with or complements Portage Place. Some work must be done to determine which is more appropriate. Develop a suitable, ongoing marketing/promotion campaign and recruit appropriate tenants. This type of action probably would require hiring a co-ordinator.

3. Develop some form of attractive canopy system for weather protection. The design of this system should be related to a storefront/facade design program and could possibly be related to the design of the North Side canopy. Ensure that sidewalks are properly maintained.

4. Build good vertical connections to the skywalks, preferably escalators, to ensure that pedestrians who know about, or see, the improved, attractive South Side can get to the street easily, quickly and without having to "detour" through the department stores.

There are some important implications of this ordering of priorities and we believe it is essential to make them explicit. First, we believe that building escalators without attending to the first three items on the list would be a waste of money. People use escalators to get somewhere they want to go, not just to have a ride.

Second, we believe that the South Side could be a viable commercial area (although not necessarily identical to what it is now) even without escalators, if the first three priorities were addressed and if the merchants, business people, and property owners had completely positive attitudes. However, we believe that escalators will increase the opportunity for the South Side to tap the increased downtown traffic likely to be generated by Portage Place.

Third, we think that there is little likelihood that building escalators could be detrimental to the South Side. Portage Place will exert strong drawing power and the overall plan already includes many easy ways to access Portage Place. Escalators can only have a negative impact on the South Side if they increase the likelihood of shoppers leaving the South Side in favour of Portage Place; we do not think this will be the case.

Fourth, the escalators in the Bay, Eaton's and the Marks and Spencer building and the proposed stairs and elevators will not be as effective at moving people down to the street as would escalators at the key pedestrian decision-points in the T-intersections in the skywalks.

Based on this assessment, the North Portage Development Corporation should not put a high priority on escalators, but (if it intends to spend funds on the South Side) should first consider contributions to store upgrading, an ongoing marketing campaign and weather protection. The South Side merchants should be putting more energy into preparing to tap the trade that will be drawn into downtown by Portage Place, instead of pinning all their hopes on escalators. Realistically, however, this approach has a major weakness.

The South Side Portage Association and some individual merchants have become completely fixed on the escalator issue. If escalators are not built, there is a high probability that the South Side will decay because its demise will be a self-fulfilling prophecy. Even though, with effort, the South Side should be able to be viable without escalators, there will be some key players who will not make the necessary effort. The escalators have become the symbol of the South Side's chance to tap the Portage Place opportunity. Without that symbol, it may be difficult to initiate positive action and enlist the full support of South Side businesses and property owners.

Our principal conclusions can be summarized in three statements. First, building escalators without a concerted, immediate effort to strengthen the area's retailing presence would do little to help the South Side. Second, a comprehensive effort, involving improvements to the basic retail attractions, marketing/promotion, weather protection, recruitment of new tenants, and good vertical connections would have the best chance of strengthening the South Side. Third, while escalators are not essential to the South Side's survival as a commercial area, they would be the best form of vertical connections and they may be necessary to enlist the full co-operative participation of all South Side interests.

We were asked to comment on two other specific questions related to the escalators.

The first is whether "down only" would be preferred, based on the premise that this would move shoppers to Portage Avenue but avoid providing another convenient access into Portage Place. As already indicated, we think that Portage Place will already be highly accessible. Additional "up" escalators at Vaughn and Carlton will have only a marginal effect on the total accessibility of Portage Place for most shoppers. "Down only" escalators could cause a problem. Shoppers may hesitate to go down if it is not clear that they can return the same way (e.g. to return to their car or to do more shopping in Portage Place). Over time, this may discourage shoppers from going down to the South Side because they will remember it is not convenient to go back up. If escalators are provided, we recommend that they be designed to move people in both directions.

We were also asked to comment on who would benefit from escalators. In our opinion, any benefits will be enjoyed most by locations on Portage Avenue within one block of the escalators. Locations along Portage Avenue between Kennedy and Edmonton Streets will benefit less and those off Portage Avenue will enjoy very little benefit.